The Main Street Quarterly

Small business insights into the Canadian economy | 2025 Q3

CFIB
CANADIAN FEDERATION OF INDEPENDENT BUSINESS
In business for your business.

Economic Forecasts, Canada

Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2024-2025

AppEco Analyse stratégique • Analytics	History				Estimate	Forecast	Annual Average	
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2024	2025
GDP by expenditure								
Level, chained $B (2017)	2,430	2,443	2,455	2,445	2,450	2,451	2,423	2,450
Q/Q annualized growth	2.4%	2.1%	2.0%	-1.6%	0.8%	0.2%		
Y/Y growth	1.9%	2.3%	2.3%	1.2%	0.8%	0.3%	1.6%	1.2%
GDP by industry, business sector								
Level, chained $B (2017)	1,832	1,841	1,849	1,844	1,847	1,847	1,829	1,846
Q/Q annualized growth	1.3%	1.9%	1.7%	-1.1%	0.7%	0.0%		
Y/Y growth	1.6%	1.6%	1.7%	0.9%	0.8%	0.3%	1.3%	0.9%
Retail sales								
Level, $M	67,167	68,789	69,546	69,791	70,149	70,658	67,083	70,036
Q/Q annualized growth	5.9%	10.0%	4.5%	1.4%	2.1%	2.9%		
Y/Y growth	1.6%	3.5%	5.1%	5.4%	4.4%	2.7%	1.6%	4.4%
CPI, total								
Level, index (2002 = 100)	161	162	163	163	164	165	161	164
Q/Q annualized growth	1.9%	1.8%	3.1%	0.6%	2.4%	2.6%		
Y/Y growth	2.1%	1.9%	2.3%	1.8%	2.0%	2.1%	2.4%	2.1%
CPI, excluding food and energy								
Level, index (2002 = 100)	152	152	154	155	155	156	151	155
Q/Q annualized growth	2.0%	2.1%	3.3%	2.9%	1.7%	2.4%		
Y/Y growth	2.5%	2.1%	2.5%	2.6%	2.5%	2.6%	2.6%	2.5%
Private investment								
Level, chained $B (2017)	409	419	413	411	407	402	413	408
Q/Q annualized growth	-2.9%	9.4%	-4.9%	-2.4%	-3.7%	-4.5%		
Y/Y growth	-2.6%	1.6%	0.9%	-0.4%	-0.6%	-3.9%	-1.4%	-1.0%
Payroll Employment								
Level, k persons	18,227	18,229	18,249	18,245	18,276	18,287	18,192	18,264
Q/Q annualized growth	0.8%	0.0%	0.4%	-0.1%	0.7%	0.2%		
Y/Y growth	0.9%	0.9%	0.7%	0.3%	0.3%	0.3%	1.0%	0.4%

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.
Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data. All series are seasonally adjusted.

Canadian economy expected to see slow growth in the third and fourth quarters of 2025

Economic forecasts based on the most recent monthly Business Barometer® data (October) indicate that GDP grew by 0.8% in the third quarter of 2025, and that the last quarter should be virtually flat. This places 2025 growth at 1.2% for the year, a slowdown compared to 2024, but resilient given the cocktail of commercial tensions observed.

Retail sales were slightly stronger than anticipated in the third quarter with nominal growth of 2.1%. The trend is expected to maintain in the fourth quarter, with growth forecast at 2.9%. For 2025, nominal retail sales progressed more than the previous year, despite declining inflation.

CPI inflation rose to 2.0% in the third quarter and is expected to remain stable for the rest of the year. Excluding food and energy, inflation hovers around 2.5% with no clear trend. With total inflation at the Bank of Canada's target rate, one can say that the central bank's strategy worked out, even though significant uncertainty remains going forward.

Private investment declined by 2.4% in the second quarter of 2025, and ongoing uncertainty continues to weigh on business plans. Estimates point to a 3.7% decline in the third quarter and a further contraction of 4.5% in the fourth quarter. This slowdown reflects a sharp decline in investment spending amid deteriorating business confidence, particularly in goods-producing sectors affected by global trade instability and input price volatility. Overall, 2025 saw a contraction of investments of 1%, following a decline of 1.4% in 2024.

Payroll employment fell by 0.1% in the second quarter, but this is expected to reverse in the third quarter with growth of 0.7%. Employment growth is then expected to keep track with GDP at 0.2% in the fourth quarter. This places yearly growth at 0.4%, a very weak reading.

Also featured

The job vacancy rate holds steady in Q3
The quarterly private sector job vacancy rate in Canada held steady at 2.8% in 2025 Q3 (Figure 1). Vacancy rates were unchanged on a quarterly basis across most provinces and sectors. Year-over-year changes were overall still very modest, all being under 1% for every province, sector, or size of business.

Little changes in vacancy rates across provinces
New Brunswick (-0.3), Quebec (-0.2), and British Columbia (-0.2) recorded the largest declines. Prince Edward Island (+0.7), Manitoba (+0.7), and Newfoundland and Labrador (+0.4) experienced the largest year-over-year increases.

Highest vacancy rates in personal services and construction
On a yearly basis, natural resources (-0.7), agriculture (-0.6), and information, arts, and recreation (-0.3) saw the biggest drops in their vacancy rates. Manufacturing (+0.3), wholesale (+0.3), hospitality (+0.3), and retail (+0.1) were the only sectors reporting increases.

Smaller businesses continue leading in vacancy rate declines
On a yearly basis, businesses with fewer than 20 employees have shown the largest decreases in vacancy rates. However, their rates remain much higher compared to businesses with more than 100 employees (Figure 3 and Table 2).

Sources

(1) CFIB, Your Business Outlook Survey, January 2004-September 2025. Trended.
(2) Statistics Canada. Table 14-10-0398-01. Adjusted for seasonality.
(3) Q/Q (3-month) and Y/Y (12-month) changes are in percentage points.

Figure 1 – Job vacancy rates by province, Canada[1,2]

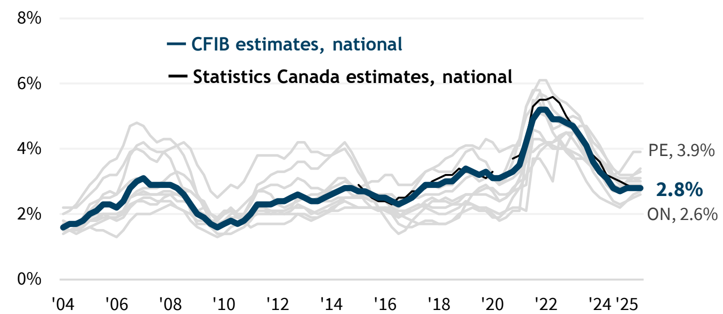


Figure 2 – Job vacancy rates by sector, Canada[1]

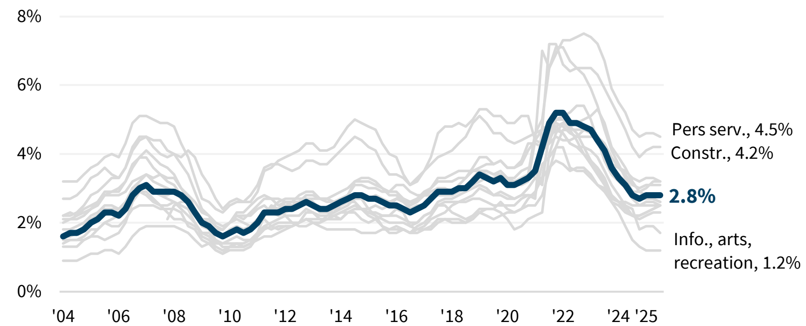


Figure 3 – Total vacancies (in thousands)[1]

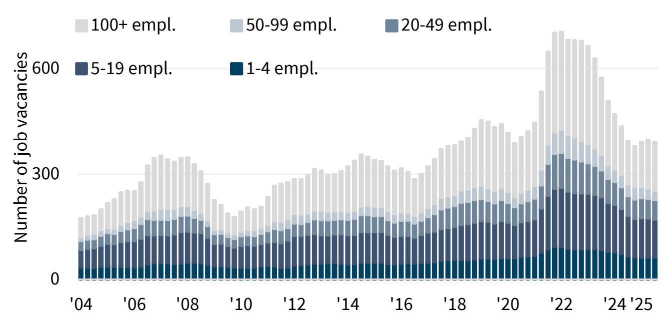


Table 2 – Private sector job vacancies, 2025 Q3

	Vacancy rate (%)	Q/Q change[3]	Y/Y change[3]	Total vacancies (n)
Canada	**2.8**	**0.0**	**0.0**	**391,100**
Prince Edward Island	3.9	0.0	0.7	2,000
Manitoba	3.4	0.2	0.7	15,700
Saskatchewan	3.3	0.1	-0.1	11,800
Nova Scotia	3.1	0.0	0.2	10,000
Quebec	3.0	-0.1	-0.2	92,700
Alberta	3.0	0.0	0.1	51,400
New Brunswick	2.9	0.0	-0.3	7,300
British Columbia	2.9	0.0	-0.2	55,900
Newfoundland and Labrador	2.7	0.1	0.4	4,100
Ontario	2.6	0.1	0.2	140,200
Personal services	4.5	-0.1	-0.2	27,000
Construction	4.2	0.0	0.0	52,100
Professional services	3.2	-0.1	-0.1	40,700
Hospitality	3.2	0.0	0.3	42,100
Health, education	3.1	0.0	0.0	39,100
Agriculture	2.6	-0.1	-0.6	4,100
Enterprise management	2.6	-0.1	-0.2	24,800
Manufacturing	2.5	0.1	0.3	39,100
Wholesale	2.5	0.1	0.3	21,000
Transportation	2.5	-0.1	-0.2	17,700
Insurance, real estate, finance	2.5	0.0	0.0	27,400
Retail	2.3	0.0	0.1	45,900
Natural resources	1.7	-0.2	-0.7	3,800
Information, arts, recreation	1.2	0.0	-0.3	6,200
1-4 employees	5.8	0.1	-0.8	63,100
5-19 employees	4.7	0.0	-0.6	107,500
20-49 employees	3.2	0.0	-0.3	55,400
50-99 employees	1.9	-0.2	-0.4	25,400
100+ employees	1.9	0.2	0.0	139,800

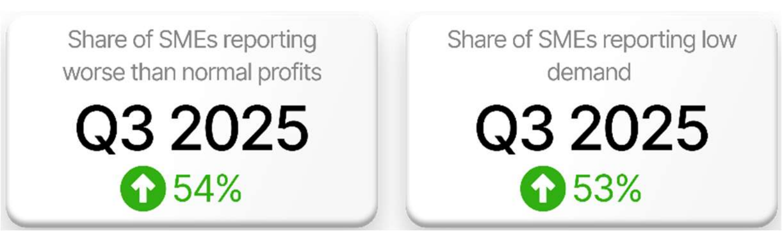
In Focus: The *Buy Canadian* wave is here

Soft demand, thin profits & higher costs strain SMEs

Small businesses power local economies: 66¢ of every dollar spent with them stays in the community (vs 11¢ at multinationals),[1] supporting jobs, suppliers, and vibrant main streets. However, business owners are facing growing challenges as tariff-related uncertainty dampens demand at home and abroad. In Q3 2025, 54% reported weak demand, compared with a 38% average from 2015–2025 (Figure 4). Profits are deteriorating as well, with 53% reporting worse than normal results,[2] while 63% cited high input, rent, or financing costs.[3] The result is a tightening of margins and difficult decisions—delaying hires, reducing hours, raising prices, or delaying investments.

With tariffs and uncertainty constraining economic activity, the *Buy Canadian/Buy Local* movement should be reinforced and expanded to help SMEs navigate this challenging environment.

Figure 4 – Profit pressures intensify while demand remains subdued[2]



Sources

(1) CFIB, Small Business, Big Impact: Small Retailers' Local Contributions.
(2) CFIB, Your Business Outlook Survey, January 2024-October 2025.
(3) CFIB, Survey on the impact of U.S.-Canada trade war, August 11-September 2, 2025.
(4) Source: CFIB, Your Voice – May 2025 survey, May 6-June 2, 2025.

Buy Canadian is on the rise

Amid ongoing trade tariff tensions, 43% of SMEs launched buy local campaigns. Nearly two-thirds of those reported higher sales of Canadian or local goods and a shift away from U.S. products. However, only 15% saw revenue gains and just 9% reported higher profits (Figure 5), indicating product substitution rather than new demand and continued cost pressures. Demand growth—measured by sales and customer traffic—was strongest in Nova Scotia and PEI; firms in agriculture and retail also saw notable increases. By contrast, manufacturing firms saw little benefit. Across all provinces and sectors, profit gains remain modest at best (Table 3).

The limited improvement in profitability despite stronger sales reflects two factors: customers are substituting with Canadian products rather than expanding overall spending, and elevated input and financing costs are eroding margins. Sustaining the *Buy local* momentum while alleviating cost pressures would help convert increased sales into genuine demand and stronger profitability.

Figure 5 – Sales shift to Canadian goods, but profits do not follow[4]

Since the start of the trade war, what changes have you noticed in the following areas?

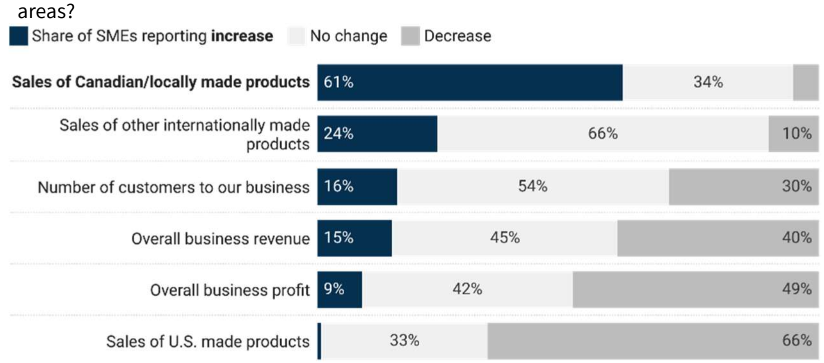


Table 3 – Uplift after *Buy local* promotion (% of SMEs)

	% reporting higher sales of Canadian products	% reporting more clients	% reporting increase in overall profit
Canada	**↓61**	**16**	**9**
Prince Edward Island*	78	33	11
Nova Scotia	72	38	13
Quebec	64	14	6
Ontario	62	13	7
Newfoundland and Labrador*	62	8	0
Alberta	59	12	7
Saskatchewan*	58	25	12
New Brunswick*	58	5	8
British Columbia	57	19	13
Manitoba	52	23	20
Insurance, real estate and finance*	90	30	10
Enterprises & admin. management	86	6	8
Agriculture	69	21	23
Personal services	68	11	7
Construction	63	10	5
Hospitality	62	18	10
Retail	62	20	10
Health, education	60	13	15
Wholesale	59	17	7
Professional services	56	13	9
Transportation and warehousing*	50	22	18
Manufacturing	48	10	8
Information, arts, recreation*	25	8	8
Natural resources*	20	25	0
0-4 employees	63	16	9
5-19 employees	60	16	10
20-49 employees	54	14	10
50+ employees*	70	21	6

Note: *Low count of responses.

Background

Our analysis examines small and mid-sized firms at the firm level, dividing them into two self-identified categories: goods-producing and service-offering. Firms providing a mix of both were excluded to present a clearer picture, as their indicator readings generally fall between the two extremes.

While Statistics Canada conducts similar analyses, its focus is at the industry level rather than the firm level.

Roughly 70% of goods-producing firms operate in retail, manufacturing, and wholesale. About two-thirds of service-offering firms are found in professional and business services, personal services, construction, health and education, transportation, and hospitality. Mixed firms appear across all sectors but are most common in retail, construction, and manufacturing.

The composition of the two categories varies slightly by firm size and age. We observe somewhat more micro-businesses (0–4 employees) and younger firms among service providers, while goods producers include a slightly higher share of medium-sized firms (20+ employees).

Source

(1) CFIB, Your Business Outlook Survey, July 2024-September 2025, cfib.ca/barometer.

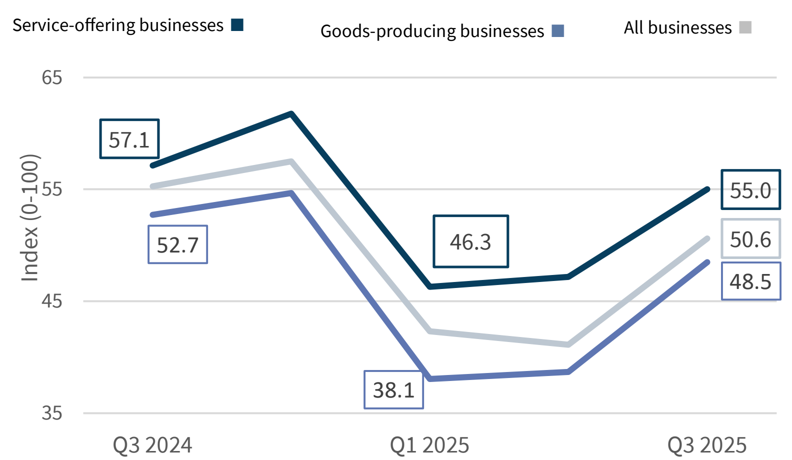
Fitness

The long-term confidence index for SMEs offering mostly services has been above the average for all industries while optimism for firms providing mostly goods has been slightly below the reading for all industries. The gap in optimism only became wider since the trade war started in Q1 2025 (Figure 8).

While confidence among all firms dropped significantly in Q1 2025, goods-producing businesses lost the most momentum (-14 points). Service-offering firms have recovered some of the drop in optimism more quickly; their current reading sits close to where it was in Q3 2024.

Figure 6 – Goods-producing and service-offering businesses have become significantly less optimistic since Q1 2025; however, businesses offering mostly services have recovered faster and their confidence level surpasses the all-industries average

Small business 12-month confidence index



Challenges

Taxes/regulations are the top cost pressures among all firms, yet businesses offering mostly services are more impacted by insurance and wage costs than goods-producing firms. The latter are more concerned by product input costs and electricity costs (Tables 5 and 6). Insufficient demand and distribution constraints affect goods-producing firms more dramatically. On the other hand, skilled labour shortages are the top limitation on growth for service-offering firms.

Table 4 – Specific cost pressures for services vs goods firms

Q3 2025, % responses	All firms	Services	Goods
Tax, regulatory costs	65	63	67
Insurance costs	65	**67**	60
Wage costs	63	**67**	60
Occupancy costs	49	47	50
Product input costs	43	25	**53**
Electricity costs	39	31	**44**
Fuel costs	37	35	34
Capital equipment, technology costs	35	**40**	32
Borrowing costs	32	31	32
Other energy costs	16	12	15

Table 5 – Specific limitations on growth affect each type of firm

Q3 2025, % responses	All firms	Services	Goods
Insufficient demand	53	43	**61**
Shortage of skilled labour	42	**49**	30
Shortage of working capital	26	25	23
Limited physical space	23	22	25
Distribution constraints	19	9	**26**
Shortage of un/semi-skilled labour	18	17	19
Shortage of input products	10	5	**13**

Methodology

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible, and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors, and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

Your Business Outlook is a monthly CFIB tracking survey that covers small business confidence, expectations, and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every third Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Your Voice is a monthly CFIB omnibus survey that covers a wide range of current topics. Results are based on several thousand responses each time and are presented in a few monthly key charts at cfib.ca/research.

The **Special Survey on the Impacts of the U.S.-Canada Trade War** examines the impact of the trade war between the United States and Canada on small businesses. The survey was conducted three times, each time receiving several thousand responses. The results are presented through a series of key charts available at cfib.ca/research/tariffs.

Forecasts are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

Job vacancies estimates are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey.

For more information on the methodologies used, visit cfib.ca/research.

About CFIB

The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 100,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

CFIB Economics

Simon Gaudreault
Chief Economist and Vice-President Research

Andreea Bourgeois
Director, Economics

Laure-Anna Bomal
Economist

Alchad Alegbeh
Research Analyst

cfib.ca/research
economics@cfib.ca
@CFIB_FCEI_Stats

About AppEco

AppEco is a consulting firm specializing in economic and strategic analysis. It possesses in-depth technical expertise and delivers first-class services in applied economics: economic impact studies, surveys and polls, cost-benefit analyses, modelling, econometrics, pricing, etc. Its mission is to provide useful services that contribute to economic growth and the success of clients' projects. AppEco works with firms of all sizes, from small to multinationals, as well as governments and non-profit organizations. Learn more at appeco.ca/en/.

Pierre Emmanuel Paradis
President and Economist

Richard Fahey
Vice-President and Lawyer

Julien Mc Donald-Guimond
Vice-President and Economist

El Hadji Nimaga
Economist

appeco.ca
info@appeco.ca
AppEco